

# LEGISLATIVE AUDIT DIVISION

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## MEMORANDUM

TO: Legislative Audit Committee Members

FROM: Jim Pellegrini, Deputy Legislative Auditor, Performance Audits

DATE: May 8, 2000

RE: **Follow-up to Performance Audit  
Apprenticeship and Training Program  
Department of Labor and Industry (98P-06)**

### **INTRODUCTION**

In June 1998, we presented our performance audit on the Apprenticeship and Training Program to the Legislative Audit Committee. The report contained an audit recommendation to the Department of Labor and Industry. The report also offered four issues for department consideration and two funding-related issues for legislative consideration. We requested and received information from the department on its progress in implementing the recommendation in July 1999. Department officials also have periodically kept us informed of implementation progress since that time. In May 2000, we interviewed department officials, reviewed policy and files related to educational grants, and reviewed other documentation and correspondence related to program operations to further examine implementation status.

In addition to summarizing the results of our follow-up work to the audit recommendation, this memorandum presents a status update of department and legislative action on those issues for consideration first presented in the audit report.

### **BACKGROUND ON APPRENTICESHIP AND TRAINING PROGRAM**

In Montana, the apprenticeship system is administered by the Department of Labor and Industry. The primary purpose of the state's Apprenticeship and Training Program is to: 1) encourage employers to establish apprenticeship programs; 2) promote written apprenticeship agreements; and 3) oversee operation of those programs to ensure compliance with state, federal, and industry standards. There are currently over 550 employer-sponsors and 964 apprentices registered with the department. Our 1998 audit focused on administration of this program.

## **SUMMARY OF FOLLOW-UP RESULTS**

As can be seen in the following table, the audit recommendation has been fully implemented by the department. In addition, issues offered for department consideration and legislative consideration have also been implemented.

<u>Audit Recommendation Status</u>	
Implemented	1
<u>Department Issue Status</u>	
Implemented	4
<u>Legislative Issue Status</u>	
Implemented	2

## **FOLLOW-UP FINDINGS**

The following provides implementation status of the audit recommendation based on follow-up work performed by the Legislative Audit Division.

### **Instructional Grant Program**

Over the years, the legislature has provided federal and state special revenue funds to offset some of the costs employers incur in providing apprentices with supplemental technical instruction. Grants were applied towards correspondence courses, apprentice instructor salaries, journeyman upgrade training, and administrative expenses incurred by the Office of Public Instruction. Audit testing revealed two concerns with grant administration and distribution. First, grant moneys were distributed and used for purposes outside the scope of appropriation language. Second, no formal guidelines for distribution of grants existed.

#### **Prior Recommendation #1**

We recommend the Department of Labor and Industry:

- A. Ensure grants are distributed in accordance with appropriation language.
- B. Develop formal guidelines for determining grant eligibility, apportioning funds, and distributing grants.

#### **This recommendation is implemented.**

Beginning in fiscal year 1999, the department changed the procedures for distributing instructional grants to ensure grants are distributed in accordance with appropriation language which specifies the funds are to be used to fund apprenticeship instruction programs. The department accomplished this through:

- developing formal guidelines for determining grant eligibility, apportioning funds, and distributing grants;

- actively participating in grant distribution decisions and allocations which were historically performed by an ad hoc committee with little department interaction;
- changing the membership of the ad hoc committee to ensure equal representation by both organized labor and independent sponsored apprentice programs;
- thoroughly documenting eligibility, apportionment, and allocation of instructional related grants for each applicant and recipient; and
- requiring employer-sponsors to post-certify that grants were used in compliance with stipulations of the grant.

### **Issues for Department Consideration**

As part of the audit, we also offered four issues for department consideration. While formal audit recommendations were not made, the report did discuss these issues and provides our office's opinion regarding the need for the department to take these issues under consideration. The department provided us with documentation regarding their efforts regarding these four issues. Audit follow-up work found the department took action to implement all four suggestions.

#### **Prior Department Consideration Issue #1**

The department should review the administrative arrangement with the Office of Public Instruction related to apprentice instruction grants to determine if it is cost effective.

The department terminated its relationship with the Office of Public Instruction and is performing these administrative duties in-house, which resulted in an annual savings of \$4,200.

#### **Prior Department Consideration Issue #2**

The department should assess whether a more direct link between the apprenticeship system and post-secondary vocational technical education could be beneficial.

The department is currently pursuing the feasibility of establishing a link with post-secondary vocational technical education officials.

#### **Prior Department Consideration Issue #3**

The department should explore the availability and cost of other avenues of apprentice instruction.

Department officials have undertaken a project to supplement existing apprentice correspondence course work with instructional materials which would be made available via the Internet. Plans include demonstration videos, access to instructors, discussion groups, and technical bulletins. In addition, the department assisted in establishing several additional classroom instructional groups

for electrical apprentices. Classroom course work was also developed for child care provider apprentices. These alternatives are aimed towards developing more interactive means of apprentice instruction by supplementing correspondence course work.

#### **Prior Department Consideration Issue #4**

The department should review correspondence course work to ensure contents are still applicable.

The department, in conjunction with the provider of apprenticeship correspondence course work, updated the curriculum for several apprentice training areas including: electrical, plumbing, roofing, carpentry, sheet metal work, and diesel mechanics. As part of this effort, department staff worked with employer-sponsors to identify course work areas and textbooks in need of revision and update. In addition, the department assisted the correspondence course provider in developing a method for the university to self-fund future curriculum updates.

#### **Issues for Legislative Consideration**

The audit also reported on two areas for legislative consideration, both of which involved funding issues. As part of our follow-up work, we examined the current status of these issues.

#### **Prior Legislative Consideration Issue #1**

Future program funding could become an issue for legislative consideration as the Apprenticeship and Training Program competes for Employment Security Account (ESA) dollars.

The 1999 Legislature elected to increase employer contributions to the ESA. This ensured funding was available for Apprenticeship and Training Program operations and other ESA-dependent programs and functions.

#### **Prior Legislative Consideration Issue #2**

The apprenticeship instruction grant program does not have a permanent funding source and future funding will be an issue for legislative consideration.

The 1999 Legislature elected to fund the apprentice instructional grant program with General Fund moneys as part of House Bill 2. The funding level remained the same as the past biennium, with appropriations of \$140,000 each fiscal year.

We would like to thank the department for their efforts in implementing the audit recommendation and taking action to address those areas offered for department consideration.